

Tesco Interim Results 2013

PC Philip Clarke
NC Nick Cosgrove

NC: Phil Clarke, you say you're making progress in the UK but this looks like a difficult set of numbers. What progress have you made?

PC: Well, on price, the price promise has really begun to show to customers that they get great value from Tesco and the research from that is very strong indeed. On quality we've relaunched many of our private label products. All of our chicken and beef is either 100% British in the case of chicken or 100% – British or Irish in the case of beef. Tesco Finest re-launches in just a few weeks' time. We've done more refits in the first half of the year and got a better lift in sales than we've experienced before with a particular focus on London, which is leading the way for us in terms of its performance improvement.

And probably better, best of all, our service metrics are improving. They had a big lift last year and we've carried that on so that's great; like for like in food in the second quarter positive, clothing has lifted, GM's backwards, which we always said it was going to be and anyone who's seen the new GM in the few stores they're in can't help but be impressed. So I think that's pretty good progress in the first half.

NC: It looks like things continue to be tough in the markets in which you operate in. Are things getting more difficult there?

PC: Generally speaking, consumer confidence, which is a good proxy for whether it gets easier or more difficult for retailers, is improving. Of course, people aren't getting more money in their pockets yet and that would help us. I don't think it's getting worse. I think we are making now the right moves in our offer so that we'll make more progress in the second half and in the years to come.

NC: What would you say has gone wrong in Asia in particular?

PC: Asia's a very strong business for us; Thailand, Malaysia, Korea; market-leading or second. We've had a challenge with regulators restricting our opening hours in Korea and we're about to lap that now so that should be good for our second half; a few trading issues in Thailand, a business, by the way, that's grown twofold in the last four years. So strong business coming through.

NC: And turning to Europe, you've said conditions there are challenging but it's particularly disappointing. Should we expect Europe to get worse before it gets better?

PC: Well, the Eurozone's going to be a challenge for everybody for a few more years, at least that's what's forecast. But our first-half performance was a consequence of something specific in Poland, where we made a very big investment, and in Turkey where we got to grips with some longstanding problems. We think the comparatives in the second half are easier and we feel we'll make more progress in the second half than we did in the first.

NC: Now, you talk a lot about being a multi-channel retailer. What does this actually mean for your customers?

PC: Well, you know, years ago there were only shops and that's where people did all of their grocery purchases and now there's the internet so multi-channel is the seamless fusion of the two. A customer can buy what they want when they want, however they want and that's what multi-channel retailing's all about and that's where we are making fairly big strides. I use one example; you know, three years ago outside the UK four cities had Tesco grocery home shopping. Today 50 cities outside the UK; all of that done in just under three years.

NC: Finally, what about this deal you've announced in China today? Is this another overseas retreat?

PC: No, it's a new model, I think, for Tesco. We're joining forces with a leading retailer, local domestic retailer in China; their 3,000 stores to our 130 and it's a combination of their local knowledge and our skills that we've honed over, you know, many years. So they've chosen us to become their partner as they seek to become, with our help, the leading multi-channel retailer in what's a very exciting market. Shows how good they think we are and shows again our disciplined approach to growth in the future.

NC: Phil Clarke, thank you.